The Honorable Karen A. Overstreet
Chapter 11

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

In re THE CASCADIA PROJECT LLC, EIN: 20-4188863 Debtor.	Case No. 09-20780-KAO DISCLOSURE STATEMENT IN SUPPORT OF SECOND AMENDED PLAN OF REORGANIZATION PROPOSED BY THE CASCADIA PROJECT LLC

MILLER NASH LLP
ATTORNEYS AT LAW
TELEPHONE: (206) 622-8484
4400 TWO UNION SQUARE
601 UNION STREET
SEATTLE, WASHINGTON 98101-2352

TABLE OF CONTENTS

Page

I. INTRODUCTION AND SUMMARY OF PLAN 1
A. INTRODUCTION 1
B. BRIEF PLAN SUMMARY 2
C. BRIEF EXPLANATION OF CHAPTER 11 8
II. VOTING 9
A. BALLOTS AND VOTING DEADLINE 9
B. PARTIES ENTITLED TO VOTE 10
III. BACKGROUND AND GENERAL INFORMATION 10
A. PROCEDURAL STATUS OF THIS CASE 10
B. CASCADIA'S HISTORY 10
C. MATERIAL POSTPETITION EVENTS 13
D. CASCADIA'S ASSETS 19
E. CASCADIA'S LIABILITIES 20
IV. DESCRIPTION OF PLAN OF REORGANIZATION 20
A. CASH-FLOW PROJECTION 20
B. TREATMENT OF UNCLASSIFIED CLAIMS 23
C. ESTATE CLAIMS 24
D. CLASSIFICATION AND TREATMENT OF CLASSIFIED CLAIMS 24
E. EXECUTORY CONTRACTS AND UNEXPIRED LEASES 31
F. CONFIRMATION EFFECT 31
V. TAX CONSEQUENCES 32
VI. RISKS AND ALTERNATIVES 32
A. RISKS 32
B. ALTERNATIVES 33
VII. CONCLUSION 35

MILLER NASH LLP
ATTORNEYS AT LAW
TELEPHONE: (206) 622-8484
4400 TWO UNION SQUARE
601 UNION STREET
SEATTLE, WASHINGTON 98101-2352

I. INTRODUCTION AND SUMMARY OF PLAN

A. INTRODUCTION

On October 15, 2009, The Cascadia Project LLC, a Washington limited liability company ("Cascadia"), filed in this court a voluntary petition initiating a chapter 11 business reorganization case under the United States Bankruptcy Code. The court has not appointed a trustee in this case, and Cascadia is a "debtor in possession."

On July 2, 2010, Cascadia filed its second amended proposed plan of reorganization dated July 2, 2010, and Cascadia has provided a copy of the plan with this disclosure statement. With few exceptions, creditors and investors will have the opportunity to vote to accept or reject the plan, and the court will consider votes in determining whether to confirm the plan. The purpose of this disclosure statement is to give creditors and investors sufficient information to decide whether to vote to accept or reject the plan, and Cascadia urges all creditors and investors to carefully review this entire disclosure statement and the plan and consult with your legal and tax advisors before determining whether to vote to accept or reject the plan. For the reasons set forth below, Cascadia believes that **confirmation of the plan would best serve the interests of all creditors and investors, and Cascadia accordingly urges all creditors and investors to vote to accept the plan**. Cascadia discusses the deadline and procedures applicable to voting on the plan in Part II below.

Cascadia has prepared this disclosure statement based on information contained in Cascadia's schedules of assets and liabilities, its books and records, and other information sources discussed below. The statements in this disclosure statement are as of the date hereof, unless this disclosure statement specifies another time. Cascadia's delivery of this disclosure statement does not imply that there has been no change in the facts set forth herein since the date hereof or the date Cascadia compiled the material on which it relied in preparing this disclosure statement. The description of the plan in this disclosure statement is only a

MILLER NASH LLP
ATTORNEYS AT LAW
TELEPHONE: (206) 622-8484
4400 TWO UNION SQUARE
601 UNION STREET
SEATTLE, WASHINGTON 98101-2352

summary, qualified in its entirety by reference to the plan itself. In case of any inconsistency between the plan and this disclosure statement, the plan controls. No one may rely on this disclosure statement for any purpose other than to determine how to vote on the plan. Nothing in this disclosure statement is an admission of any fact or liability, admissible in any proceeding involving Cascadia, or advice on the tax or other legal effects of the plan on the holders of claims or interests.

The court has scheduled a hearing on confirmation of the plan for July __, 2010, at __ a.m. The court will hold the hearing in the United States Courthouse, Room 7206, 700 Stewart Street, Seattle, Washington, before Judge Karen A. Overstreet. The court may adjourn the hearing from time to time without further notice, except for an announcement made at the hearing or any adjournment thereof.

B. BRIEF PLAN SUMMARY

Cascadia's LLC member is Patrick Kuo. Cascadia owns approximately 4,200 acres of land, with various zoning classifications and development permits, in Pierce County, Washington. Cascadia is developing the land as an employment-based community (the "Project").

Under the plan, three new investors, TPG Opportunities Partners, L.P. ("TPG"), Yarrow Bay Holdings ("YB"), and OFG Cascadia, LLC ("OFG"), will form a new entity, referred to herein as "Holdings," which will in turn become Cascadia's LLC member. Two of the three investors will form a second new entity, referred to herein as the "Servicing Entity," which will manage Cascadia on a cost reimbursement basis controlled by TPG. The three new investors will contribute capital to Holdings of $55 million, of which they will contribute $31 million on or after the Effective Date or the date the case is closed, and at least $10 million within the two years following the Effective Date. The new investors' funding, together with Cascadia's property sales and other development activity, will fund Cascadia's operating capital and ability to make creditor payments. Cascadia will continue to develop the Project as an employment-based community.

MILLER NASH LLP
ATTORNEYS AT LAW
TELEPHONE: (206) 622-8484
4400 TWO UNION SQUARE
601 UNION STREET
SEATTLE, WASHINGTON 98101-2352

The following table summarizes the plan's treatment of classes of creditor claims and investor interests:

Class	Description	Estimated Aggregate Amount	Class Treatment	Class Status: Voting Rights	Estimated Percentage Recovery
1	Convenience Unsecured Claims	$77.663.48	Paid in full without interest by the later of the 30th day after the Effective Date or the date the court enters its Final Order determining the Claim	Impaired, entitled to vote	100%
2	Unsecured Claims other than those in Class 1 or that of Cascadia Land, LLC	$2,131,928.65	Cascadia will pay the lesser of all Allowed Class 2 claims or $2,131,928.65 ratably in 20 equal quarterly payments without interest. Cascadia will also pay holders of Class 2 Claims ratably any net proceeds of Cascadia's pursuit of avoidance or recovery actions under Bankruptcy Code chapter 5 and its claim against HomeStreet arising from HomeStreet's attorney's June 11, 2010, letter to Cascadia's attorneys, and Cascadia will also pay holders of Class 2 Claims ratably from any OFG Redirection Payments as described the Summary of Class 3 Treatment, below, but only to the extent of the lesser of all Allowed Class 2 claims or $2,131,928.65, calculated by adding the 20 equal quarterly payments with the OFG redirection payments.	Impaired, entitled to vote	100% unless HomeStreet elects Option 2 under Class 3, in which case 5%. Also, if the court allows Centex/ Pulte Homes' claim, and HomeStreet does not elect Option 2 under Class 3, the distribution would be 57%.
3	HomeStreet	$74,166,779	General treatment. Cascadia will pay to HomeStreet Cascadia's deposits at Commerce Bank, approximately $350,000. Before Cascadia makes any distribution of excess cash as defined in the Letter of Intent (Exhibit A), Cascadia must certify to HomeStreet that, at the time of and after giving effect to the distribution, and not considering any obligation to	Impaired; entitled to vote	100% under Options 1 and 3 and 64% under Option 2

MILLER NASH LLP
ATTORNEYS AT LAW
TELEPHONE: (206) 622-8484
4400 TWO UNION SQUARE
601 UNION STREET
SEATTLE, WASHINGTON 98101-2352

Class	Description	Estimated Aggregate Amount	Class Treatment	Class Status: Voting Rights	Estimated Percentage Recovery
			Cascadia Land, LLC or contingent obligations to the servicing entity, Cascadia will retain assets worth 110 percent of the amount required to comply with RCW 25.15.235. Until all payments required under the plan to HomeStreet and unsecured creditors (other than Contingent Noteholder) have been made: (i) Holdings will redirect any amount otherwise payable as a distribution to OFG by Holdings, and (ii) servicing entity as defined in the Letter of Intent will redirect any amount of any contingent service fee as defined in the Letter of Intent otherwise distributable to OFG by servicing entity. The amounts redirected by Holdings and servicing entity pursuant to this paragraph (the "OFG Redirection Payments") will be paid first to HomeStreet for application to Cascadia's indebtedness until paid in full as provided in the plan, and then to unsecured creditors (other than Cascadia Land, LLC) until their claims have been paid as provided in the plan. Nothing in this paragraph requires redirection by servicing entity of any portion of the monthly fee paid or distributed to OFG or amounts paid to OFG as reimbursement for costs incurred. OFG will be deemed subrogated to the rights of HomeStreet and the unsecured creditors to the extent of the OFG Redirection Payments. Cascadia will pay OFG its subrogation claim in the same manner Cascadia would have paid HomeStreet and the unsecured creditors but for the OFG Redirection Payments. OFG's subrogation claim arising from the OFG Redirection		

MILLER NASH LLP
ATTORNEYS AT LAW
TELEPHONE: (206) 622-8484
4400 TWO UNION SQUARE
601 UNION STREET
SEATTLE, WASHINGTON 98101-2352

Class	Description	Estimated Aggregate Amount	Class Treatment	Class Status: Voting Rights	Estimated Percentage Recovery
			Payments will have priority over any other subrogation claims. Cascadia will also treat HomeStreet under one of Options 1-3 elected by HomeStreet. Option 1 is the default option if HomeStreet does not elect an option. In no event will the payments to HomeStreet exceed the amounts provided in Options 1, 2 or 3 as the case may be. Option 1. Under Option 1, Class 3 consists of both the Class 3 Allowed Secured Claim and the Class 3 Allowed Unsecured Claim, and HomeStreet will have no Class 2 Claim. By the 10th Day after the court closes this case, Holdings will pledge to HomeStreet a deposit account at another financial institution or other liquid assets worth $15 million (the "Road Reserve) as additional collateral that Home Street may apply if Home Street becomes entitled to exercise its default remedies. If HomeStreet elects treatment under Bankruptcy Code § 1111(b), then on the 84th month after the effective date, Cascadia would also pay HomeStreet the greater of (a) the unpaid portion of the secured claim (equal to the value of the collateral), plus interest, or (b) any amount by which the amount of the entire claim exceeds the sum of all payments from the Effective Date. If HomeStreet does not make the section 1111(b) election, then Cascadia would make monthly payments amortizing the secured claim with interest over 25 years and make equal payments of 1/300th of the amount of the unsecured claim, and it would pay the balance of both		

MILLER NASH LLP
ATTORNEYS AT LAW
TELEPHONE: (206) 622-8484
4400 TWO UNION SQUARE
601 UNION STREET
SEATTLE, WASHINGTON 98101-2352

Class	Description	Estimated Aggregate Amount	Class Treatment	Class Status: Voting Rights	Estimated Percentage Recovery
			claims by on the first day of the 84th month that begins after the Effective Date. Option 2. Under Option 2, Class 3 would consist only of HomeStreet's secured claim. Cascadia would pay monthly payments determined by amortizing the secured claim over 25 years, with interest at the prime rate plus 200 basis points. At the end of the year 7, Cascadia would pay HomeStreet the balance of the secured claim, plus interest. Cascadia would treat HomeStreet's unsecured claim in Class 2. By the 10th day after the court closes this case, Holdings will pledge to HomeStreet a deposit account at another financial institution or other liquid assets worth $15 million (the "Road Reserve") as additional collateral if Home Street becomes entitled to exercise its default remedies. Option 3. Under Option 3, Class 3 would treat both HomeStreet's secured claim and its unsecured claim. In addition to the General Treatment, Cascadia would pay HomeStreet $10 million to reduce the secured claim and provide a $4 million interest reserve for 36 months. During years 1-5, Cascadia would pay monthly interest payments calculated at prime +2% on the unpaid balance of HomeStreet's claim. Beginning in year 6, Cascadia will pay HomeStreet an amount determined by amortizing over 20 years HomeStreet's secured claim, and will make monthly payments of 1/240th of the unsecured claim. At the end of year 9, Cascadia would		

MILLER NASH LLP
ATTORNEYS AT LAW
TELEPHONE: (206) 622-8484
4400 TWO UNION SQUARE
601 UNION STREET
SEATTLE, WASHINGTON 98101-2352

Class	Description	Estimated Aggregate Amount	Class Treatment	Class Status: Voting Rights	Estimated Percentage Recovery
			pay the balance of the secured claim, with interest, and the balance of the unsecured claim, without interest. Cascadia would transfer to Holdings free and clear of all liens, ownership of parcels K1, K2, L, L1, M1 and M5 of the project and Cascadia's membership interest in Cascadia Resort Communities, LLC. HomeStreet must accept the plan and agree not to appeal its confirmation. Other provisions regarding Cascadia's augmentation and use of HomeStreet's collateral in each of the three options appears in plan Section 4.3.		
4	City of Tacoma	Claim A: $1,118,000 Claim B: $85,722.74	Cascadia will pay Claim 4A, the Secured Claim, pursuant to contract, except that the commencement dates for interest and principal payments (due if Cascadia fails to reach customer number targets) will each be deferred one year. Cascadia will pay Claim 4B, the Unsecured Claim, in full 60 days after the Effective Date.	Impaired; entitled to vote	100%
5	Kuo's claim based on payment to HomeStreet	$1,000,000	Paid in full without interest out of cash flow after defined prior plan payments and before payments to Cascadia Land, LLC but after the senior subrogation payments of OFG.	Impaired; entitled to vote	100%
6	Kuo's interest in Cascadia	$0	Cancelled. Kuo will receive nothing on account of his interest.	Impaired; entitled to vote	0%
7	Cascadia Land, LLC	$3,515,933 (minimum amount; actual amount not yet	Lesser of $16.2 million or the amount Cascadia Land, LLC, has invested in Cascadia or its predecessors before the Filing Date, without interest or any other return, in either case less	Impaired; entitled to vote	100%

MILLER NASH LLP
ATTORNEYS AT LAW
TELEPHONE: (206) 622-8484
4400 TWO UNION SQUARE
601 UNION STREET
SEATTLE, WASHINGTON 98101-2352

Class	Description	Estimated Aggregate Amount	Class Treatment	Class Status: Voting Rights	Estimated Percentage Recovery
		determined)	any cash received by Cascadia Land, LLC, from Cascadia or its predecessors, with payments made after plan payments to HomeStreet and certain defined plan payments have been completed, and after the OFG subrogation claim and then the payment of the Kuo subrogation claim.		

Cascadia has attached hereto a table, marked as Exhibit B, explaining the effect on each plan class of each of the three plan options available to HomeStreet Bank, discussed in Part IV.D.3 below.

If any class does not accept the plan, Cascadia will request that the court nonetheless confirm the plan.

C. BRIEF EXPLANATION OF CHAPTER 11

Chapter 11 of the Bankruptcy Code is the principal reorganization provision of the Bankruptcy Code. In a chapter 11 reorganization case, a debtor in possession (such as Cascadia in this case), chapter 11 trustee, or other party in interest attempts to reorganize Cascadia's business for the benefit of Cascadia, its creditors, and other parties in interest. The formulation and confirmation of a plan of reorganization is the principal purpose of a chapter 11 case. A plan sets forth a proposed method for compensating the creditors and holders of equity interests in Cascadia. A claim or interest is impaired under a plan if the plan alters the legal, equitable, or contractual rights of the holder of the claim or interest. A holder of an impaired claim or interest is entitled to vote to accept or reject the plan. If a plan meets certain requirements, the court may confirm it even if fewer than all creditors and holders of equity interests accept the plan.

MILLER NASH LLP
ATTORNEYS AT LAW
TELEPHONE: (206) 622-8484
4400 TWO UNION SQUARE
601 UNION STREET
SEATTLE, WASHINGTON 98101-2352

II. VOTING

A. BALLOTS AND VOTING DEADLINE

Cascadia has enclosed a ballot for voting to accept or reject the plan with each copy of this disclosure statement Cascadia mails to creditors entitled to vote. After carefully reviewing this disclosure statement and its exhibits, including the plan, please indicate your acceptance or rejection of the plan by voting to accept or reject the plan on the enclosed ballot as directed below.

Each creditor that has filed a proof of claim or that otherwise holds an Allowed Claim may vote based on the amount of the proof of claim or the amount of the Allowed Claim unless the court has entered an order denying the claim or reducing the amount of the claim. If a creditor has not filed a proof of claim, then the amount of its claim for voting purposes will be the amount Cascadia listed for the claim in its liabilities schedules. If a creditor holds claims in more than one class entitled to vote on the plan, the creditor may complete and return a ballot for each class. If you do not receive a ballot or if you receive a damaged ballot or lose your ballot, please contact:

Miller Nash LLP
Attn: Geoffrey Groshong
4400 Two Union Square
601 Union Street
Seattle, WA 98101-2352
Tel: (206) 777-7419
geoff.groshong@millernash.com

To cast your vote to accept or reject the plan, complete, date, and sign the ballot accompanying this disclosure statement and return it by mail or hand delivery to Cascadia's attorney at the address indicated above. Cascadia will not count a ballot unless its attorney receives an executed ballot at the above address no later than 4:00 p.m. Pacific Daylight Time on July __, 2010. Cascadia will not consider any late or unsigned ballots or ballots sent to its attorney by fax or e-mail. If a creditor signs and returns a ballot but does not indicate on the

ballot whether the creditor accepts or rejects the plan, Cascadia will treat the ballot as a vote to accept the plan.

B. PARTIES ENTITLED TO VOTE

Each class of impaired claims or interests that will receive something under the plan may vote to accept or reject the plan. A class can be unimpaired in two ways. First, a class is unimpaired if the plan leaves unaltered the legal, equitable, and contractual rights of the holders of claims in that class. Second, a class is unimpaired if the plan provides for (1) curing any defaults, (2) reinstating the claim's maturity, (3) compensating the claim holder for damages resulting from reasonable reliance on any contractual provision of law that allows claim acceleration, and (4) otherwise leaving unaltered any legal, equitable, or contractual right to which the claim entitles the holder. Because of their favorable treatment, the law treats unimpaired classes as having accepted the plan. Accordingly, it is not necessary to solicit votes from the holders of claims in classes that are not impaired.

The law treats classes of claims or interests that will not receive or retain any money or property under a plan as having rejected the plan, so those classes do not vote. In the plan, all classified claims are impaired.

III. BACKGROUND AND GENERAL INFORMATION

A. PROCEDURAL STATUS OF THIS CASE

Cascadia commenced this case by filing its petition on October 15, 2009 (the "Petition Date"). Cascadia has retained control over its assets, and continues to operate its business pursuant to 11 U.S.C. §§ 1107 and 1108.

B. CASCADIA'S HISTORY

Cascadia's primary business operation is the development of approximately 4,200 acres of land near Orting and Bonney Lake, Washington (the "Land"), as an employment-based planned community, including the planned development of residential, commercial, business and educational properties. Cascadia, through contractors, also conducts

timber harvesting on the Land and on adjoining property owned by Cascadia Resort Communities LLC ("CRC"). In 1991, a wholly owned subsidiary of a Bahamian corporation owned by a group of Taiwan investors bought the Land. Cascadia was formed in 1999 as a Washington limited liability company whose current sole member and manager is Mr. Kuo. Cascadia took title to the Land in 2006. Mr. Kuo has been significantly involved in the project from its inception and continues his significant involvement as manager and sole member of Cascadia.

Cascadia has completed significant infrastructure improvements, including underground utilities, sewer and water installation, road and sidewalk construction, trails, parks, and the preparation of 389 finished residential lots as well as one super pad that Cascade will develop into an additional 113 lots.

There is one permanent aboveground structure on the property. In 2009, the Sumner School District built "Elementary School Number 9" for approximately $18 million. The district currently uses the school for approximately 600 students and the accompanying faculty and staff. There is one partially finished structure on the site (currently foundation only), which will be the community's informational center, and there is an interim fenced trailer complex that is currently used as the site office.

In addition to its real property, Cascadia has a 50-percent membership interest in CRC, which owns an adjoining 514-acre parcel that has been under initial development as a golf course resort community. The other 50-percent member of CRC is Sumitomo Forestry Seattle, Inc., a Washington corporation. Cascadia is the manager of CRC. The golf course itself has been cleared and rough graded. Cascadia estimates the value of its 50-percent interest in CRC to exceed $9 million if the remainder of the Project is successful; but without successful development of the remainder of the Project, the value of the 50-percent interest in CRC is uncertain. Shortly before the Petition Date, Cascadia granted a security interest in its

MILLER NASH LLP
ATTORNEYS AT LAW
TELEPHONE: (206) 622-8484
4400 TWO UNION SQUARE
601 UNION STREET
SEATTLE, WASHINGTON 98101-2352

CRC member interest to Mr. Y.K. Chen, Mr. Kuo's father in law, to secure prior and future advances not to exceed $1,500,000.

In 2006, Cascadia received approximately $2,600,000 in earnest money payments from two national builders and one regional builder for the purchase of 389 finished residential lots, at a combined price of approximately $52 million, and $250,000 in option payments for additional lots. In 2008, after Cascadia completed its responsibilities under the sales contracts, each of the three builders declined to complete their purchases of the lots, forfeiting their earnest money and option payments. One of these builders, Centex/Pulte Homes, has filed a proof of claim alleging it is entitled to a refund of its earnest money deposit in the approximate amount of $1,800,000. Cascadia filed an objection to the claim, and the matter will be litigated. Cascadia may assert an affirmative claim based on fraud and misrepresentation in connection with the litigation.. These events significantly impaired Cascadia's cash flow. An earlier event also caused significant damage to Cascadia and impeded Cascadia's ability to close sales on the finished lots at a much earlier date. In 2006, after a nationwide search, Cascadia signed a contract with Michels Corporation to drill a tunnel under the Carbon River and install pipes in that tunnel connecting to the waste water treatment facility operated by the City of Orting on property adjoining the Land. In December 2006, the tunnel collapsed, delaying Cascadia's development of its project by at least one year and causing significant other damages to Cascadia.

Cascadia's primary lender is HomeStreet Bank ("HomeStreet"). HomeStreet has made two loans to Cascadia: an infrastructure loan with a balance of approximately $37,659,948.88 that is secured by a deed of trust recorded on June 29, 2005, as amended (the "First Deed of Trust"), and an acquisition and development loan with a balance of approximately $35,189,590.86 that is secured by a deed of trust recorded on August 30, 2007 (the "Second Deed of Trust"). HomeStreet subordinated the First Deed of Trust to the Second Deed of Trust. In addition, certain lien claims held by contractors are junior in priority to the

MILLER NASH LLP
ATTORNEYS AT LAW
TELEPHONE: (206) 622-8484
4400 TWO UNION SQUARE
601 UNION STREET
SEATTLE, WASHINGTON 98101-2352

First Deed of Trust. The amounts of the HomeStreet loan balances listed in Cascadia's schedules are as stated in two Notices of Trustee's Sales recorded in Pierce County, Washington, on July 9, 2009. Cascadia has not verified the amounts of the HomeStreet claims and the claims are subject to valuation of the collateral securing the claims.

In 2009, HomeStreet commenced nonjudicial deed of trust foreclosures on both of the loans. Cascadia's attempts to negotiate a forbearance agreement were not successful. HomeStreet scheduled the sales for October 16, 2009. On October 15, 2009, Cascadia filed its petition to stay the sales and attempt to reorganize and recapitalize its operations and emerge from bankruptcy.

C. MATERIAL POSTPETITION EVENTS

1. Bankruptcy Court disputes with HomeStreet

On December 18, 2009, the court entered its order granting HomeStreet's motion for an order determining that the Project constituted "single asset real estate" under the Bankruptcy Code [Dkt. #120]. That determination required Cascadia to make certain payments to HomeStreet, even before confirmation of a plan.

On December 23, 2009, the court set the amount of Cascadia's monthly payment to HomeStreet pursuant to 11 U.S.C. § 362(d)(3)(B) at $266,057. [Dkt. #128]. In February 2010, Cascadia commenced payments under 11 U.S.C. § 362(d)(3)(B). If the court confirms the plan by August 5, 2010, Cascadia will have made postpetition payments to HomeStreet totaling $1,596,342.

On December 18, 2009, HomeStreet filed a motion for relief from the automatic stay [Dkt. #121] and HomeStreet later filed an additional motion for relief from the automatic stay [Dkt. #299] (together, the "Relief From Stay Motion"). Initially, the court scheduled the evidentiary hearings on plan confirmation and the final hearing on the Relief from Stay Motion for June 22 through 24, 2010 [Dkt. #187]. On April 14, 2010, however, the court granted Cascadia additional time to file its plan and disclosure statement [Dkt. #260]. The court gave

MILLER NASH LLP
ATTORNEYS AT LAW
TELEPHONE: (206) 622-8484
4400 TWO UNION SQUARE
601 UNION STREET
SEATTLE, WASHINGTON 98101-2352

Cascadia until May 31, 2010, to file its plan and disclosure statement, with the date for hearing on each to be set by the court after they were filed. Cascadia filed its original proposed plan and disclosure statement on May 31, 2010. It then filed its first amended plan and disclosure statement in support thereof on June 19, 2010, and June 21, 2010, respectively. On June 30, 2010, after hearings on June 22, 23, and 24, 2010, the Court issued an Order on Motions for Relief from the Automatic Stay Filed by HomeStreet Bank [Dkt. #493], denying HomeStreet's Relief From Stay Motion without prejudice.

2. Cascadia's engagement of Obsidian Finance Group, LLC

On January 28, 2010, the court approved Cascadia's employment of Obsidian Finance Group, LLC ("Obsidian"), as Cascadia's financial advisor in this case [Dkt. #91, 188]. Obsidian is a Portland, Oregon based hybrid advisory and investment group. It specializes in unique and difficult business situations, including distressed enterprises and assets. Obsidian's personnel have expertise in law, real estate, public accounting, investment banking, finance, tax, and bankruptcy. Obsidian's professionals have significant problem asset resolution expertise, including servicing of assets in bankruptcy and after reorganization. Obsidian's investments include development property in the Puget Sound region and real estate in other areas of the Pacific Northwest.

3. Proposed acquisition by new investors

Cascadia has entered into a comprehensive letter of intent with TPG, YB, and Obsidian dated May 28, 2010 (the "Letter of Intent"). The Letter of Intent is non-binding; however, the parties anticipate that the parties will execute definitive binding documentation before the confirmation hearing. The definitive documents will be consistent with the Letter of Intent, except that, given Cascadia's belief that HomeStreet will not choose treatment under Option 3, the pay down of $10 million and the interest reserve of $4 million will not be required. The Letter of Intent contemplates a total new equity investment of $55 million, with approximately $31 million of that amount being invested by the end of 2010 and a minimum of

MILLER NASH LLP
ATTORNEYS AT LAW
TELEPHONE: (206) 622-8484
4400 TWO UNION SQUARE
601 UNION STREET
SEATTLE, WASHINGTON 98101-2352

an additional $10 million invested within two years of the Effective Date. On July 1, 2010, Cascadia received a letter from TPG acknowledging the filing of the first amended plan (Exhibit 2 to the plan).

TPG is an investment fund affiliate of TPG Capital (formerly Texas Pacific Group), one of the largest private equity investment firms globally, focused on leveraged buyout, growth capital, and leveraged recapitalization investments in distressed companies and turnaround situations. TPG Capital also manages investment funds specializing in growth capital, venture capital, public equity, and debt investments.

YB is owned by Brian Ross and others. Yarrow Bay has extensive experience with master planned communities in the Seattle-Tacoma-Bellevue Metropolitan Statistical Area. Mr. Ross, Chief Executive Officer of Yarrow Bay, is well experienced in the land and project development process, including having experience as a custom homebuilder. Before founding Yarrow Bay, Mr. Ross directed land acquisition and subsequent development for a prominent Eastside Seattle firm. David MacDuff, Chief Operating Officer of Yarrow Bay, has 20 years of experience specializing in land acquisition, finance development, and sales. His recent experience includes being the project manager for Intracorp Seattle on its Talus master planned community. He directed all facets of the project from concept development, through design/engineering/permitting, construction, and sale to builders. Additionally, Yarrow Bay's well-qualified staff includes real estate professionals, an engineer, an experienced landscape architect, individuals with public planning experience, and finance professionals.

The $55 million equity investment is greater than was anticipated at the beginning of the search for new equity investors. The increase is attributable to two primary factors. First, in the plan's Option 3 for treatment of HomeStreet's claim, Cascadia has created treatment for HomeStreet's claim that would contain an immediate $10 million paydown of HomeStreet's claim and provide a $4 million additional collateral reserve for HomeStreet for three years. Second, to increase significantly the value of the Project and to provide the highest

MILLER NASH LLP
ATTORNEYS AT LAW
TELEPHONE: (206) 622-8484
4400 TWO UNION SQUARE
601 UNION STREET
SEATTLE, WASHINGTON 98101-2352

likelihood of success, it was necessary to ensure that access (commonly called the 198th street corridor) to the Project be developed at the earliest possible date. The equity increase was approximately $25 million more than the $30 million that would otherwise have been required, and the 2010 equity commitment was correspondingly increased by that amount together with the $4 million additional collateral ($29 million more equity required in 2010). Since the filing of the Cascadia's original plan on May 31, 2010 [Dkt. #333], HomeStreet has given an indication that it is unlikely to choose Option 3. There is a lesser need for up front cash if HomeStreet does not chose Option 3, but this does not reduce the total funds commitment of new equity.

In the opinion of Cascadia and its advisors, it was necessary to obtain additional equity to make the Project viable. A plan proposing a restructuring of the HomeStreet claim without the additional equity raise may not have been confirmable under the Bankruptcy Code, and in any event, it would have reduced the viability of the Project. Prospective investors informed Cascadia that in their view HomeStreet was significantly undersecured and they would not invest new equity without a significant reduction of the HomeStreet claim. Cascadia and its advisors sought equity investors that would recognize that the restructuring of the HomeStreet claim together with the new equity infusion would be sufficient to allow the equity investors to realize appropriate returns reflecting the risk. Ultimately, only TPG and Yarrow Bay were prepared to execute the Letter of Intent providing for the significant equity infusion and the option (as provided in the plan) for HomeStreet to realize repayment of substantially all of its Claim.

TPG required the participation of Obsidian as an investor for two reasons. First, Obsidian has completed a substantial amount of diligence and modeling, and TPG wanted Obsidian to "put its money where its mouth is." TPG considered this even more important because TPG was not brought into the final process until recently, and it was necessary for TPG to be comfortable that Obsidian was prepared to take some of the equity risk to which

MILLER NASH LLP
ATTORNEYS AT LAW
TELEPHONE: (206) 622-8484
4400 TWO UNION SQUARE
601 UNION STREET
SEATTLE, WASHINGTON 98101-2352

TPG was being asked to commit. Second, it was Obsidian's contacts with TPG that allowed TPG to move quickly in the reviewing the investment. (Neither TPG nor Obsidian is an affiliate of the other.) TPG requires that Obsidian play a significant role after plan confirmation so that TPG's investment has the highest likelihood of success. Obsidian has formed a wholly owned subsidiary, OFG, which would hold the Cascadia investment.

After confirmation, there will be a holding company, Holdings, controlled by TPG, which will control Cascadia. The day-to-day servicing of the investment and Project will be controlled by a servicing company controlled by YB and in which OFG is anticipated to play a significant role. The servicing entity's relationship with the Project may be terminated by Cascadia (which as stated above is effectively controlled by TPG) for cause, and the servicing entity will reimburse OFG and YB for costs only on account of their services.

Mr. Kuo is anticipated to play an important role as the "founder," but he will not have an ownership interest in Holdings. Mr. Kuo will have a three-year contract with a per annum compensation of $150,000. From that amount, he will pay interest on the $1 million that he borrowed to cash collateralize a $1 million letter of credit in favor of HomeStreet and upon which HomeStreet drew. Mr. Kuo will receive incentive compensation if his efforts are accretive to the current projections. It is unknown how much additional compensation could be provided because such compensation will depend upon his performance. Over the life of the Project, Cascadia projects that incentive compensation for Mr. Kuo and others will be $22 million, but the actual amount could be significantly greater or significantly less depending on performance, the outcome of the Project, the early sale of parcels, and/or the bulk sale of the remaining land.

Cascadia will cancel Mr. Kuo's interest, and he will receive nothing for it.

4. <u>Committee's Review of Obsidian's Work</u>.

Cascadia has included the following three paragraphs in this statement with the authorization of the Official Committee of Unsecured Creditors (the "Committee").

On June 3, 2010, three days after the May 31, 2010, filing of Cascadia's original proposed disclosure statement and plan, counsel for the Committee met with Kevin Padrick of Obsidian at the offices of the Committee's legal counsel. Anticipating concerns with regards to Obsidian's role under the plan, given that the court-appointed financial advisor was now a proposed investor under the plan, the purpose of meeting was for Committee legal counsel to emulate the role of a court-appointed examiner for the purpose of obtaining further explanation from Obsidian and Mr. Padrick concerning the events leading to the terms of the Cascadia's proposed plan, which included proposed investment by an affiliate of Obsidian.

The interview was in depth and extensive. Based on the interview, the Committee is satisfied that Obsidian did not enter into its engagement as financial advisor to Cascadia for the purpose of attempting to secure an opportunity to invest in The Cascadia Project. Obsidian developed the extensive, complex modeling that was necessary to secure the interest of the private equity market prior to reaching out to TPG, the proposed equity investor. With Obsidian's support and encouragement, Mr. Kuo, for Cascadia, invested substantial time and effort to obtain new investment from his personal contacts, particularly in the Far East, on his own terms such that he might be able to retain his ownership interest and/or management authority over Cascadia. In furtherance of these efforts, Mr. Kuo made two extended trips to the Far East after the Petition Date, meeting with a number of investors. Obsidian also contacted numerous potential equity investors that had contacted Cascadia and/or Obsidian and expressed interest in investing. Further, after Yarrow Bay agreed to become a strategic investor, Obsidian assisted Yarrow Bay in meeting with financial investors identified by Yarrow Bay. When all of the foregoing efforts were not successful, Obsidian made its last and best efforts to obtain capital to reorganize Cascadia in a plan that would pay HomeStreet and other creditors, by contacting equity sources it had worked with in the past. Approximately two weeks before the Letter of Intent was executed, TPG, which had worked with Mr. Padrick in the past, and having the advantage of the modeling and due diligence already performed by

MILLER NASH LLP
ATTORNEYS AT LAW
TELEPHONE: (206) 622-8484
4400 TWO UNION SQUARE
601 UNION STREET
SEATTLE, WASHINGTON 98101-2352

Obsidian, indicated that it might be prepared to execute a letter of intent after completion of additional internal due diligence, but only if Obsidian could invest in the reorganization and play a post-confirmation management role. Mr. Padrick made prompt disclosure to counsel for Cascadia and counsel for the Committee. Subsequently, on May 28, 2010, the Letter of Intent was executed. Absent Obsidian's contemplated investment and its contemplated post-confirmation role in management of the reorganized Cascadia, TPG would not have executed the Letter of Intent, and no plan would have been feasible.

The Committee, having concluded its investigation, is satisfied that the conduct and activities of Mr. Padrick and Obsidian, as of the date of this disclosure statement, have been appropriate and have been designed to serve the best interests of the creditors of this estate.

D. CASCADIA'S ASSETS

Cascadia's schedules show the following principal assets:

- The Project, with a scheduled value of $76.24 million based upon an appraisal obtained by HomeStreet. Based upon discussions with potential investors, Cascadia believes that the actual value of HomeStreet's collateral, if the Bank foreclosed its interests and promptly sold the project would be not more than $35 million.
- The 50-percent membership in CRC, which has a scheduled value of $9.275 million and a realizable value that is likely to be much less because the value of the interest in CRC is based upon the success of the Project, as a result of which Cascadia would bring power, water, wastewater, and other services utility services to CRC.
- Two bank accounts (now with Commerce Bank) containing approximately $350,000 total, representing cash performance and restoration bonds as to which the obligations have expired.

MILLER NASH LLP
ATTORNEYS AT LAW
TELEPHONE: (206) 622-8484
4400 TWO UNION SQUARE
601 UNION STREET
SEATTLE, WASHINGTON 98101-2352

- The unpaid portion of land purchase obligation from Orting School District for purchase of land for School #9 in the amount of $2.7 million.
- Other miscellaneous assets with little or no realizable value.

In addition to scheduled assets, Cascadia has claims against Michels Directional Crossing based on a failed tunnel bore, and claims against Centex based on misrepresentation and or fraud in connection with a document concerning an earnest money deposit.

Cascadia is not aware of any avoidance claims it might assert under Chapter 5. The only possible avoidance claim as to the granting of a security interest to Y.K. Chen for the granting of a security interest in Cascadia's 50 percent membership interest in CRC, which secured prior and future advances, was not pursued within the time set by the Court.

E. CASCADIA'S LIABILITIES

A creditor can have an Allowed Claim if it timely files a proof of claim or if Cascadia listed the creditor's claim in Cascadia's schedules and did not list is as disputed, contingent, or unliquidated. The last day to file timely claims in this case was March 1, 2010. According to Cascadia's schedules, Cascadia had the following liabilities on the Petition Date:

Secured creditors, including HomeStreet Bank and the City of Tacoma	$75,284,779[1]
Wage claims	$0
Unsecured creditors, but not including the claim of Cascadia Land, LLC or Pulte Homes	$2,191,465
Priority taxes (Pierce County taxes estimated and subject to upward adjustment if certain taxes are determined to be prepetition claims)	$40,307

[1] Cascadia has not found a basis for asserting that the documentation of HomeStreet's claim is flawed or avoidable and does not believe that the documentation merits further investigation, although the value of the property securing the HomeStreet claim and the amount of the HomeStreet claim have yet to be determined.

MILLER NASH LLP
ATTORNEYS AT LAW
TELEPHONE: (206) 622-8484
4400 TWO UNION SQUARE
601 UNION STREET
SEATTLE, WASHINGTON 98101-2352

In addition to the foregoing, Cascadia's bankruptcy estate is responsible for allowed administrative-expense claims, which will include any allowed compensation and expenses of professionals retained by Cascadia and the Committee, certain unpaid real property taxes incurred after the Petition Date, and the secured administrative-priority loan claim of Mr. Chen.

IV. DESCRIPTION OF PLAN OF REORGANIZATION

A. CASH-FLOW PROJECTION

With the assistance of its advisors and YB, Cascadia has completed projections for the Project over the full life of the Project, anticipated to be 25 years. Cascadia has attached the projections hereto, marked as Exhibit C. Consistent with the expectation of most private equity funds and as discussed below, TPG expects an earlier exit, when Cascadia will pay HomeStreet in full.

Cascadia bases the cash flows reflected in the projection upon numerous assumptions about revenue and expenses. The cash flow section reflects the summary of the projections. The most important assumptions relate to residential lot price, appreciation of lot values, absorption (rate of lot sales), and estimates of costs related to creating finished lots. Other important assumptions are retail, commercial and industrial acreage values and timing of sale of those parcels.

YB has considerable experience in development of residential master plan communities and home building and provided significant assistance in testing market assumptions. More importantly, YB is investing $4.4 million as equity, which adds an important level of market acceptance of the projections. YB has been doing due diligence on Cascadia and current market conditions for many months.

Cascadia derived the projected residential lot price data by using a residual lot value analysis. YB completed its own residual lot value analysis, and Obsidian contacted another respected builder, built its own residual lot analysis, and confirmed the validity of YB's

analysis. In essence, a residual lot value analysis starts with the anticipated price of an average new home in the price range expected to sell in Cascadia. The home price used by YB was $275,000, and the home price used by Obsidian was $300,000. After subtracting all expenses of construction and sale, the residual becomes the "residual lot value." It is important to note that this analysis assumes builders will build under this model for a specified percentage of the ultimate sale price of the home. YB and the builder contacted by Obsidian are both prepared to enter into such agreements. YB is also aware of other builders willing to enter into such agreements. Builders are available on such basis because of a financing anomaly that exists in the marketplace. Lenders provide homebuyers financing for completed homes, but builders are finding it extremely difficult to find financing to buy lots and build homes. The projections therefore assume that the developer is paying the builders and the developer is taking the risk of the sale of the home. At some point, builders will be able to obtain financing and such a model may no longer be necessary; however, under the projections, the new investors will make available more than $5 million of new equity for this program.

Appreciation is a function of supply and demand and macro market conditions. It is anticipated that as the economy recovers, more home buyers will enter the market, but more importantly there is anticipated to be a shortage of supply (at the margin) that is anticipated to increase new home prices. This shortage will develop because of the significant lead time to develop new lots and the lack of current development activity. Over the long term, Cascadia anticipates that appreciation will track historical average appreciation for the Seattle/Tacoma area. Note that the urban growth boundary statute in Washington State concentrates development and results in appreciation that exceeds inflation.

Absorption is a function of market demand for the type of product being sold. Because Cascadia is so large, it will be able to create different residential products and take advantage of appealing to different demographics. Essentially, this will allow Cascadia to create demand that would be similar to multiple projects. Absorption is also a function of

MILLER NASH LLP
ATTORNEYS AT LAW
TELEPHONE: (206) 622-8484
4400 TWO UNION SQUARE
601 UNION STREET
SEATTLE, WASHINGTON 98101-2352

supply. Historically, the Seattle/Tacoma area has had multiple planned communities being developed; however, most of those communities are fully built out. Finally, properly marketed with sufficient capital backing the Project, Cascadia can create a "sense of place" that will attract buyers.

Costs are a function of current market conditions and historical costs. The costs were projected using two methods and both produced similar results.

The retail, commercial, and industrial component of Cascadia was priced using values that are on average about one-half of that being realized in the industrial corridor in the valley to the northwest of Cascadia. Further, the projections assume that Cascadia will not sell those parcels for a considerable period to allow development of residences in Cascadia.

As stated above, Cascadia anticipates that it will either sell parcels ready for development and/or obtain new equity in seven to nine years. This will allow TPG to exit should it desire to do so. The model used discount rates for future cash flows up to a 50-percent internal rate of return and still produced sufficient cash flows to repay HomeStreet and provide a return to Holdings. Cascadia believes that a proven project should be discounted at a 20-percent internal rate of return, which will allow TPG to realize its anticipated returns, but the substantially higher discount rate still pays all obligations of Cascadia in full.

B. TREATMENT OF UNCLASSIFIED CLAIMS

The Bankruptcy Code requires that the plan treat certain claims, but not others, in classes. Administrative-expense claims and priority-tax claims are not classified.

1. <u>Administrative expenses</u>

Administrative expenses include the actual and necessary expenses of preserving the estate and operating Cascadia's business during the bankruptcy case, obligations Cascadia incurred during the case, compensation, and expense reimbursement for the professionals for Cascadia and the Committee, and statutory fees due to the United States trustee.

MILLER NASH LLP
ATTORNEYS AT LAW
TELEPHONE: (206) 622-8484
4400 TWO UNION SQUARE
601 UNION STREET
SEATTLE, WASHINGTON 98101-2352

Mr. Chen's secured administrative-priority loan is an administrative expense. On October 1, 2009, the court entered an order setting March 1, 2010, as the deadline for Cascadia and the Committee to bring any avoidance action against or to contest the amount, validity, and/or priority of Mr. Chen's lien [Dkt. #84], and neither Cascadia nor the Committee challenged his lien.

Cascadia will pay the administrative claims of professionals for Cascadia and the Committee at the later of the Effective Date or the entry of an order of the court approving the expense. Cascadia will pay the secured administrative-priority claim of Chen in full, with interest, on the Effective Date.

2. <u>Priority-tax claims</u>

A priority tax claim is a claim of a governmental unit entitled to priority under Bankruptcy Code § 507(a)(8). (Unless indicated otherwise, subsequent references herein to § are to sections of the Bankruptcy Code.) Cascadia estimates that priority-tax claims total approximately $40,307, subject to possible upward adjustment depending on whether certain Pierce County real property taxes are prepetition claims rather than post petition expenses of administration. Cascadia will pay priority-tax claims in full, with interest at 5 percent per annum from the Effective Date, within 60 days after the Effective Date.

C. ESTATE CLAIMS

Cascadia reserves and does not waive its claims against others, including claims for damages resulting from HomeStreet's attorney's June 11, 2010, letter to Cascadia's attorneys and avoidance and recovery claims under Bankruptcy Code chapter 5, and its defenses to others' claims.

///

///

///

///

MILLER NASH LLP
ATTORNEYS AT LAW
TELEPHONE: (206) 622-8484
4400 TWO UNION SQUARE
601 UNION STREET
SEATTLE, WASHINGTON 98101-2352

D. CLASSIFICATION AND TREATMENT OF CLASSIFIED CLAIMS

The following summary of the plan's treatment of claims highlights the most important economic elements of the treatment, but does not state all elements of the treatment.

1. Convenience Unsecured Claims.

Cascadia will pay Class 1 Claims – Unsecured Claims of $10,000 or less and Unsecured Claims of more than $10,000 the holders of which elect to reduce their Claims to $10,000 – in full, without interest, by the 30th day after the Effective Date.

2. Unsecured Claims.

Cascadia will pay Class 2 Claims – Unsecured Claims other than those in Class 1 or that of Cascadia Land, LLC – their ratable shares of $2,131,929 in 20 equal quarterly payments without interest.

3. HomeStreet.

HomeStreet holds the Class 3 Claim of approximately $74,166,779. Class 3 consists of HomeStreet's secured claim (the value of its collateral, less the amount of Cascadia's postpetition payments to HomeStreet) and its unsecured claim (the difference between the amount of its claim and the amount of the secured claim). Cascadia believes the value of the land securing HomeStreet's claim is approximately $55 million. Cascadia will treat HomeStreet's claim as described in Part IV.D.3.a below, "HomeStreet General Treatment," and Cascadia will also give HomeStreet the additional treatment in one of Options 1 through 3 set forth below; Option 1 is the default option if HomeStreet does not elect an option. Exhibit D sets out payments to HomeStreet under each option.

a. HomeStreet General Treatment

By the 10th day after the court closes this case, Cascadia will pay HomeStreet the amount of Cascadia's deposits at Commerce Bank, approximately $350,000.

New bank documents would evidence HomeStreet's claim. HomeStreet would have a lien on, among other things, residential and commercial structures and other

MILLER NASH LLP
ATTORNEYS AT LAW
TELEPHONE: (206) 622-8484
4400 TWO UNION SQUARE
601 UNION STREET
SEATTLE, WASHINGTON 98101-2352

improvements on its real property collateral. Real and personal property that Cascadia sells, leases, or otherwise transfers at arm's-length in the ordinary course of business or to the extent required to develop the Project, including property transfer necessary to permit Cascadia to grant any easement, temporary use right, or permanent public dedication necessary or appropriate to complete improvements or when required by public agencies in connection with the Project.

Before Cascadia could make any distribution to its member-owners, Cascadia must certify to HomeStreet that, after giving effect to the distribution, Cascadia would retain assets worth 110 percent of the amount required by RCW 25.15.235 and provide to HomeStreet an appraisal of Cascadia's assets. RCW 25.15.235 is a Washington state statute that prohibits a limited liability company, such as Cascadia, to make distributions that would render it insolvent. The plan permits HomeStreet to contest Cascadia's certificate by binding arbitration.

Until Cascadia has otherwise made all payments the plan requires it to make to Class 2 and Class 3, Cascadia will pay any amount otherwise payable under the waterfall provision of the Letter of Intent to OFG by Cascadia or the servicing entity described in the Letter of Intent, excluding amounts payable to OFG from the base servicing fee or for reimbursement of costs, first to HomeStreet for application to the Class 3 Allowed Secured Claim until paid in full, second to the Class 3 Allowed Unsecured Claim until paid in full and third to holders of Class 2 Claims until paid in full (the "OFG Redirection Payments"). The OFG Redirection Payments will subrogate OFG first to the Class 3 Allowed Secured Claim and then to the Class 2 Claims to the extent of the OFG Redirection Payments. Cascadia will pay OFG its subrogation claim in the same manner Cascadia would have paid the Class 3 Allowed Secured Claim and the Class 2 Claims but for the OFG Redirection Payments. OFG's subrogation claim arising from the OFG Redirection Payments will have priority over all other subrogation claims.

MILLER NASH LLP
ATTORNEYS AT LAW
TELEPHONE: (206) 622-8484
4400 TWO UNION SQUARE
601 UNION STREET
SEATTLE, WASHINGTON 98101-2352

The plan provides three options to HomeStreet. An analysis of each of the three options follows, showing the predicted cash flow to HomeStreet under each option.

b. HomeStreet Option 1

This Part IV.D.3.b sets forth the additional treatment Cascadia would give HomeStreet if HomeStreet elects Option 1 or makes no option election.

By the 10th day after the court closes this case, Holdings would pledge to HomeStreet a deposit account at another financial institution or other liquid assets worth $15 million (the "Road Reserve") as additional collateral that HomeStreet may apply to its Claim if HomeStreet becomes entitled to exercise its default remedies under the new bank documents as defined in the plan. Within a commercially reasonable and practicable time after the Effective Date, Cascadia may obtain a bond or otherwise secure completion of the 198th Street access corridor improvements pursuant to the Agreement Between Pierce County and Cascadia Development Corporation with the Implementation of Mitigation of Traffic Impacts from Phase 1 of the Cascadia Employment Based Planned Community by the Construction of Improvements Along the 198th Avenue E. Corridor, Recorded with the Pierce County Auditor by August 1, 2005, under Recording No. 200508010610 or any lesser 198th Street access corridor improvements that Pierce County may require (the "Road Improvements"). Cascadia may use funds in the Road Reserve to pay for the Road Improvements or to secure the bond or other security for the Road Improvements, and if permitted by any surety and Pierce County, HomeStreet would have a lien on Road Reserve funds used to secure the bond or other security for the Road Improvements. HomeStreet's lien on any unused Road Reserve funds would terminate upon completion of the Road Improvements.

If HomeStreet elects to have its entire claim treated as a secured claim under § 1111(b) and elects Option 1 or does not elect an option, then (1) the Bankruptcy Code § 1111(b) election would not affect the plan's definition of "Class 3 Allowed Secured Claim"; and (2) by the first day of the 84th month that begins after the Effective Date, Cascadia would

MILLER NASH LLP
ATTORNEYS AT LAW
TELEPHONE: (206) 622-8484
4400 TWO UNION SQUARE
601 UNION STREET
SEATTLE, WASHINGTON 98101-2352

pay HomeStreet the greater of (a) any unpaid amount of the Class 3 Allowed Secured Claim, with interest from the Effective Date at the Prime Rate plus 2 percent per annum (i.e., 200 basis points), and (b) any amount by which the sum of the Class 3 Allowed Secured Claim and the Class 3 Allowed Unsecured Claim as of the Effective Date exceeds the aggregate amount of all payments by or on behalf of Cascadia to HomeStreet from and after the Effective Date.

If HomeStreet does not timely and properly make an election under Bankruptcy Code § 1111(b), and HomeStreet elects Option 1 or does not elect an option, then (1) by the first day of the first month that begins after the Effective Date and by the first day of each month thereafter through the 83rd month that begins after the Effective Date, Cascadia would pay HomeStreet an amount determined by amortizing the Class 3 Allowed Secured Claim with interest at the Prime Rate plus 2 percent per annum (*i.e.*, 200 basis points) and 1/300th of the Class 3 Allowed Unsecured Claim, and (2) Cascadia would pay the balances of both claims by first day of the 84th month that begins after the Effective Date.

c. <u>HomeStreet Option 2</u>

This Part IV.D.3.c sets forth the additional treatment Cascadia would give HomeStreet if HomeStreet elects Option 2. Under Option 2, Class 3 consists of the secured claim. The plan treats the unsecured claim in Class 2.

By the first day of the first month that begins after the Effective Date and by the first day of each month thereafter through the 83rd month that begins after the Effective Date, Cascadia would pay HomeStreet an amount determined by amortizing the Class 3 Allowed Secured Claim over 25 years with interest at the Prime Rate plus 2 percent per annum (*i.e.*, 200 basis points). On the first day of the 84th month that begins after the Effective Date, Cascadia would pay HomeStreet the balance of the Class 3 Allowed Secured Claim with interest.

At the end of the ninth year after the Effective Date, Cascadia would pay HomeStreet the balance of the secured claim with interest.

MILLER NASH LLP
ATTORNEYS AT LAW
TELEPHONE: (206) 622-8484
4400 TWO UNION SQUARE
601 UNION STREET
SEATTLE, WASHINGTON 98101-2352

By the 10th day after the court closes this case, Holdings would pledge to HomeStreet the Road Reserve as additional collateral that HomeStreet may apply to its Claim if HomeStreet becomes entitled to exercise its default remedies under the new bank documents. Within a commercially reasonable and practicable time after the Effective Date, Cascadia may obtain a bond or otherwise secure completion of the Road Improvements. Cascadia may use funds in the Road Reserve to pay for the Road Improvements or to secure the bond or other security for the Road Improvements, and if permitted by any surety and Pierce County, HomeStreet would have a lien on Road Reserve funds used to secure the bond or other security for the Road Improvements. HomeStreet's lien on any unused Road Reserve funds would terminate upon completion of the Road Improvements.

d. <u>HomeStreet Option 3</u>

This Part IV.D.3.d sets forth the additional treatment Cascadia would give HomeStreet if HomeStreet elects Option 3. Under Option 3, as under Option 1, Class 3 consists of both the secured and unsecured claims. HomeStreet would have no Class 2 Claim. HomeStreet may elect Option 3 only if it timely votes to accept the plan, does not file an objection to plan confirmation, and does not appeal the order confirming the plan. Cascadia would release all claims against HomeStreet, its officers, directors, attorneys, and other agents arising on or before the Effective Date in connection with HomeStreet's prepetition loans to Cascadia or this case, including claims for damages resulting from HomeStreet's attorney's June 11, 2010, letter to Cascadia's attorneys. ***ALSO, HOMESTREET MUST AGREE TO RELEASE ALL GUARANTIES OF ITS LOANS TO CASCADIA.***

By the 10th day after the court closes this case, Holdings would pay HomeStreet \$10 million for application to reduce the Class 3 Allowed Secured Claim, and Holdings would pledge to HomeStreet a deposit account at another financial institution or other liquid assets worth \$4 million (the "Additional Collateral") as additional collateral that HomeStreet may apply to its Claim if HomeStreet becomes entitled to exercise its default remedies as provided

MILLER NASH LLP
ATTORNEYS AT LAW
TELEPHONE: (206) 622-8484
4400 TWO UNION SQUARE
601 UNION STREET
SEATTLE, WASHINGTON 98101-2352

in the new bank documents. HomeStreet's lien in the Additional Collateral would expire on the first Business Day of the first month that begins 36 months after the Effective Date. After Cascadia makes the $10 million payment, it would base the interest-only payments through the 60th month beginning after the Effective Date on the reduced principal balance of the Class 3 Allowed Secured Claim.

On the first day of the first month that begins after the Effective Date and by the first day of each month thereafter through the 60th month beginning after the Effective Date, Cascadia would pay HomeStreet interest only that has accrued after the Effective Date on the balance of the Class 3 Allowed Secured Claim at the Prime Rate as of the Effective Date plus 2 percent per annum (i.e., 200 basis points). On the first day of the 61st month that begins after the Effective Date and by the first day of each month thereafter through the 107th month that begins after the Effective Date, Cascadia will pay HomeStreet an amount to be determined by amortizing over 20 years the Class 3 Allowed Secured Claim, with interest at the Prime rate plus 2 percent per annum (i.e., 200 basis points). Cascadia will make a balloon payment of the balance of the Class 3 Allowed Secured Claim by the first date of the 108th month that begins after the Effective date.

On the first day of the 61st month that begins after the Effective Date and by the first day of each month thereafter through the 107th month that begins after the Effective Date, Cascadia would pay HomeStreet 1/240th of the amount of the Class 3 Allowed Unsecured Claim. Cascadia would pay the balance of the Class 3 Claims (with any interest that has accrued and remains unpaid on the Class 3 Allowed Secured Claim but with no interest on the Class 3 Allowed Unsecured Claim) by the first day of the 108th month that begins after the Effective Date.

Cascadia would transfer to Holdings, free and clear of all liens, ownership of parcels K1, K2, L, L1, M1, and M5 of the Project (the "Existing Lots") and Cascadia's membership in Cascadia Resort Communities LLC, and any other rights and interest needed to

MILLER NASH LLP
ATTORNEYS AT LAW
TELEPHONE: (206) 622-8484
4400 TWO UNION SQUARE
601 UNION STREET
SEATTLE, WASHINGTON 98101-2352

access, hold, develop, sell, use, and provide sewer and water service for the Existing Lots and the land owned by Cascadia Resort Communities LLC.

4. City of Tacoma

Class 4 consists both of the City of Tacoma's secured claim (the "Class 4A Claim") evidenced by a water development agreement (the "First Agreement") and its Unsecured claim under three other agreements (the "Class 4B Claim"); the plan specifically describes the agreements. The plan modifies the First Agreement by extending two deadlines by one year. The plan otherwise provides for payment of the Class 4A Claim in accordance with the First Agreement and for payment of the Class 4B Claim ($85,722.84) by the 60th day after the Effective Date.

5. Mr. Kuo's subordination claim

Class 5 consists of Mr. Kuo's $1 million subordination Secured Claim based on his payment of that amount to HomeStreet. Cascadia will pay that amount – after paying HomeStreet's Class 3 Claim in full and OFG's subrogation claim in full, but before paying any subrogation claim other than the subrogation claim of OFG.

6. Mr. Kuo's membership interest

The plan will cancel Mr. Kuo's membership interest in Cascadia, and Holdings will become the new sole member in Cascadia.

7. Cascadia Land, LLC

Cascadia Land, LLC, also referred to in the plan as the Cascadia Land, LLC,, will receive the lesser of $16.2 million or the amount Cascadia Land, LLC, has invested in Cascadia or its predecessors before the Filing Date, without interest or any other return, in either case less any cash received by Cascadia Land, LLC, from Cascadia or its predecessors, with payments made after plan payments to HomeStreet and certain defined plan payments have been completed, and after the payment of the Kuo subrogation claim.

MILLER NASH LLP
ATTORNEYS AT LAW
TELEPHONE: (206) 622-8484
4400 TWO UNION SQUARE
601 UNION STREET
SEATTLE, WASHINGTON 98101-2352

E. EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Cascadia will file a list of executory contracts and leases Cascadia will assume, with cure amounts, as a supplement to the plan before the hearing on approval of this disclosure statement. ***A PARTY TO AN EXECUTORY CONTRACT MUST FILE PROOF OF ANY CLAIM BASED ON THE REJECTION OF AN EXECUTORY CONTRACT NO LATER THAN 30 DAYS AFTER THE SOONER OF ENTRY OF THE ORDER APPROVING REJECTION OF THE CONTRACT OR LEASE OR 30 DAYS AFTER THE EFFECTIVE DATE.***

F. CONFIRMATION EFFECT

1. Discharge

Confirmation of the plan will discharge Cascadia's pre-Effective Date debts in accordance with Bankruptcy Code § 1141. Cascadia's plan commitment to pay creditors replaces its discharged prepetition obligations.

2. Plan alteration, amendment, or modification

Cascadia reserves the right to move to alter, amend, or modify the plan after confirmation and before substantial consummation so long as the alteration, amendment, or modification is not materially adverse to creditors, New Equity, Holdings, or Cascadia.

3. Jurisdiction

After plan confirmation, the court will retain exclusive jurisdiction over all matters arising out of or relating to the bankruptcy case.

V. TAX CONSEQUENCES

CASCADIA URGES EACH HOLDER OF A CLAIM OR INTEREST TO CONSULT THE HOLDER'S OWN TAX ADVISOR REGARDING THE CONSEQUENCES OF THE PLAN TO THE HOLDER UNDER FEDERAL AND APPLICABLE STATE, LOCAL, AND FOREIGN TAX LAWS. CASCADIA AND ITS COUNSEL EXPRESS NO OPINION AS TO THE TAX CONSEQUENCES OF THE PLAN OR THE EFFECT

MILLER NASH LLP
ATTORNEYS AT LAW
TELEPHONE: (206) 622-8484
4400 TWO UNION SQUARE
601 UNION STREET
SEATTLE, WASHINGTON 98101-2352

THEREOF ON ANY CREDITOR. IN PARTICULAR, CASCADIA'S PRE-EFFECTIVE DATE MEMBER SHOULD CONSIDER THE PASS-THROUGH TAX EFFECTS OF CASCADIA'S INCOME IN 2010 AND LATER YEARS BY REASON OF PLAN CONFIRMATION AND TRANSACTIONS CONTEMPLATED BY THE PLAN.

VI. RISKS AND ALTERNATIVES

A. RISKS

If the court confirms the plan, there is a risk that Cascadia might not meet its financial projections and thus not be able to perform its plan obligations. For example, if there is a material negative difference between the actual lot absorption rate and the rate included in the model on which Cascadia bases its plan, that could affect Cascadia's ability to perform. There is also the risk that Pierce County does not fund completion of the wastewater treatment plant.

Further, there is the risk that the new equity does not provide sufficient funds so that the holding company can complete its anticipated investment in Cascadia.

The Limited Liability Company Agreement of Cascadia Resort Communities LLC ("CRC LLC Agreement") gives Sumitomo Forestry Seattle, Inc. ("Sumitomo") certain rights in case of a transfer of any membership interest in CRC. Sumitomo, through its counsel, has reserved any rights it may have under the CRC LLC Agreement with respect to any involuntary transfer of Cascadia's interest in CRC under the plan. Because the plan does not effect a transfer of Cascadia's interest in CRC, Cascadia does not believe that the plan will trigger any rights Sumitomo would have under the CRC LLC Agreement based on an involuntary transfer of Cascadia's interest CRC. If, however, Sumitomo asserted such rights and a court held that an involuntary transfer had occurred, Sumitomo could have the option to deprive Cascadia of voting rights and/or could exercise its call right to purchase Cascadia's CRC interest.

MILLER NASH LLP
ATTORNEYS AT LAW
TELEPHONE: (206) 622-8484
4400 TWO UNION SQUARE
601 UNION STREET
SEATTLE, WASHINGTON 98101-2352

Cascadia and Sumitomo are also parties to a Development Management Agreement, and Sumitomo might seek to deprive Cascadia of its rights under the development management agreement if the plan is confirmed.

B. ALTERNATIVES

If the court does not confirm a plan, any party in interest may attempt to formulate or propose a different plan or plans of reorganization. Those other plans might involve a reorganization and continuation of Cascadia's business, an orderly liquidation of Cascadia's assets or a combination thereof. But as stated below, Cascadia believes that the only likely alternative to confirmation of the plan is the granting of HomeStreet Bank's Motion for relief form stay and the foreclosure of the real property remaining with Cascadia.

If the court determines that no plan of reorganization is confirmable, the court may convert the case to a liquidation proceeding under Bankruptcy Code chapter 7. In a liquidation case, the United States trustee would appoint a chapter 7 trustee to liquidate Cascadia's assets. Typically, in a liquidation case, the trustee sells the assets for less than their going concern value and, accordingly, the return to creditors and interest holders is less than the return in a reorganization. The trustee would distribute proceeds from liquidation to creditors and interest holders of Cascadia in accordance with Bankruptcy Code priorities.

Cascadia has concluded that if the court does not confirm the proposed plan or if for any other reason the court grants to HomeStreet relief from the automatic stay, HomeStreet will cause a foreclosure of its deeds of trust and only priority tax creditors, the City of Tacoma, and Mr. Y.K Chen would be likely to receive any payments. Cascadia believes that the holders of impaired claims will receive more under the plan than they would receive in a chapter 7 liquidation. The following chart summarizes Cascadia's expectations regarding the effect of liquidation on unsecured creditors:

MILLER NASH LLP
ATTORNEYS AT LAW
TELEPHONE: (206) 622-8484
4400 TWO UNION SQUARE
601 UNION STREET
SEATTLE, WASHINGTON 98101-2352

Asset	Analysis	Amount Available to Unsecured Creditors
4,200 acres of partially developed real property in Pierce County, WA	In a liquidation, Cascadia expects that the Project would be subject to foreclosure by the secured lender leaving no payment for creditors except senior lien holders and priority tax claims.	$0
Investment in Cascadia Land, LLC	The value of Cascadia's interest in Cascadia Land LLC is uncertain, but Cascadia does not expect the value to be greater than the lien on it by the DIP lender, administrative expenses, and other claims against the LLC interest.	$0
Other Assets	Other assets listed by Cascadia have been determined to have no or an uncertain value. Cascadia expects amounts receivable from the prior sale of land to be claimed by the secured lender or other senior lien holders.	$0
Bond Proceeds	Certain bond proceeds are the subject of litigation asserting a secured claim against them. If the secured creditor prevails, the bond proceeds will be used to pay the secured claim.	$0
Total Proceeds from Liquidation Available to Unsecured Creditors		

[The rest of this page intentionally left blank.]

MILLER NASH LLP
ATTORNEYS AT LAW
TELEPHONE: (206) 622-8484
4400 TWO UNION SQUARE
601 UNION STREET
SEATTLE, WASHINGTON 98101-2352

VII. CONCLUSION

Please read this disclosure statement and the plan carefully. After reviewing all of the information and making an informed decision, please vote by using the enclosed ballot.

DATED this 2nd day of July, 2010.

MILLER NASH LLP

/s/ Geoffrey Groshong

Geoffrey Groshong
WSB No. 6124
David W. Hercher
WSB No. 21946

Attorney for The Cascadia Project LLC

MILLER NASH LLP
ATTORNEYS AT LAW
TELEPHONE: (206) 622-8484
4400 TWO UNION SQUARE
601 UNION STREET
SEATTLE, WASHINGTON 98101-2352